
Canadians: A TSX Stock to Tax-Loss Sell Before 2020

### Description

As the year draws to a close, you may want to consider ridding your portfolio of some of your losers that may not have the means to come roaring back any time soon and use the capital losses to offset gains elsewhere in your non-registered accounts.



Consider **Canadian Tire** (TSX:CTC.A), the legendary Canadian retailer behind Mark's, FGL Sports, and of course, Canadian Tire.

Unless you bought the stock when it bottomed out this summer (or if you're an extremely long-term holder of the name), you're probably in the red with a name that's fallen under a considerable amount of pressure thanks primarily to the continued rise of e-commerce.

You've probably heard this story ad nauseam: old-school physical retailer struggles to keep up with the new age of e-commerce.

Sure, Canadian Tire has faired a heck of a lot better than many of its peers in the retail world. And while management may be quick to brush off concerns over the rising competition from its digital counterparts, I'm still not convinced that the company has a sound long-term plan to remain as relevant as it has in the past.

Canadian consumers need more of a reason to go into a physical store these days, and if you can simply order what you're looking for online, Canadian Tire surrenders its number one advantage — its deep physical penetration across the nation.

While Canadian Tire does have an ever-improving online platform, the retail kingpin will always be a physical retailer at heart because of its penetration.

## Solid Q3 results, but I'm still not a believer

Canadian Tire recently posted a decent third quarter which propelled the stock out of its funk.

Revenues were fairly flat year-to-date, EBITDA margins improved to 15.5% and operational efficiencies are slated to save the retailer a minimum of $200 million by fiscal 2022.

All in all, it was a decent quarter, but don't be fooled (that's a lower-case 'f').

Sure, operational improvements are great, but they don't address the underlying problem of Canadian Tire's pressures.

There's only so much juice you can squeeze out of a lemon, and once there are no further efficiency improvements to be made, the company will need new answers to achieve the magnitude of earnings growth it's posted in the past.

## The Tire keeps wheeling and dealing

M&A could reignite inorganic earnings growth for the Tire and potentially offset some of the pressures it's been facing.

But unfortunately, management is sticking its hands in too many pies with a confusing slew of acquisitions and partnerships, none of which I believe will provide the company with the building blocks it needs to form a moat to shutout digital pressures.



From pet food to hockey sticks, outerwear to kitchenware, Canadian Tire's recent deals are raising some eyebrows.

The company needs to take a few steps back and focus on goods that *don't* make sense to buy online.

If that means taking a deeper dive into the world of home improvement, or bolstering one's automotive business, then so be it. Right now, Canadian Tire appears is like an aimless wanderer and if it doesn't use its liquidity wisely, its shares could be at risk of further multiple compression.

In any case, I wouldn't be a buyer here and would suggest cutting your losses if you're still down on the name, at least until management can make some deals that'll widen its eroding moat.

Stay hungry. Stay Foolish.

**CATEGORY**

1. Investing
2. Stocks for Beginners

**TICKERS GLOBAL**

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

**PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

**Category**

1. Investing
2. Stocks for Beginners

**Date**
2025/09/08
**Date Created**
2019/11/17
**Author**
joefrenette